

# Medical Contracts



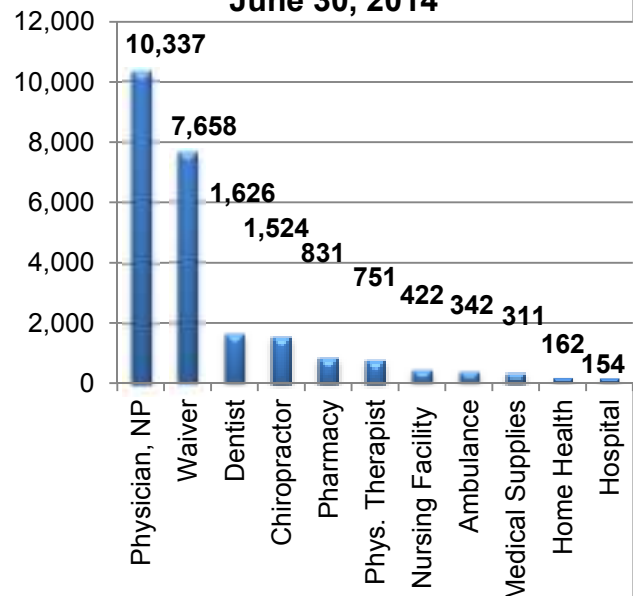
## Purpose

The Medicaid program is administered by the Iowa Medicaid Enterprise (IME). The IME is comprised of 43 full-time state employees (including 12 HIPP staff) and nine performance-based contracts with private vendors. State staff performs policy functions and manage the vendors to assure access, cost effectiveness, and value. Vendors carry out the majority of the business functions of operating the program including efficiently processing medical claims, working with providers and members, and pursuing cost recovery.

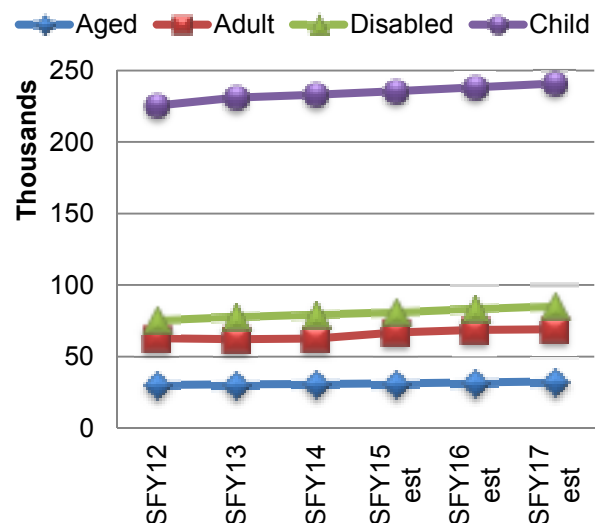
## Who Is Helped

- IME contracts with vendors to administer the Medicaid program. These administrative costs are funded through the Medical Contracts appropriation.
- IME continually produces a high return on investment, saving millions of dollars through program management initiatives, while maintaining a four percent administrative cost ratio.
- The IME served 670,877 Medicaid members (unduplicated) in SFY2014, (22 percent of the state population).
- With new eligibility requirements under the Patient Protection and Affordable Care Act of 2010 (ACA) and the addition of the Iowa Health and Wellness Plan, the IME is projected to serve over 700,000 members in SFY16.
- The IME supports over 43,000 dedicated public and private health care providers (in-state and out-of-state).
- Medicaid enrolls the same private and public providers as other insurers in Iowa and is the second largest healthcare payor in Iowa.

**Medicaid In-State Providers  
June 30, 2014**



**Average Regular Medicaid  
Enrollment by Group**



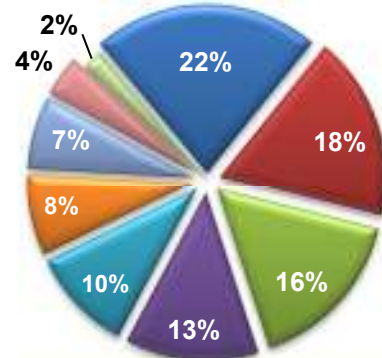
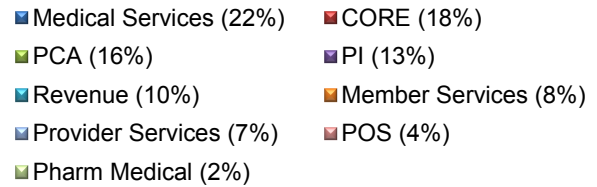
- ✓ *Provider Services answers over 33,110 calls per month from healthcare providers. Average wait time for providers to talk to a call center representative is 25 seconds.*
- ✓ *Member Services answers over 23,000 calls per month from members. The average time for members to talk to a call center representative is less than 30 seconds. SFY16 phone calls have increased comensurate with enrollment increases due to ACA.*
- ✓ *Pharmacy Services processed over 131,503 prior authorizations in SFY14 with an average determination time of 4 hours and 1 minute.*

## Services

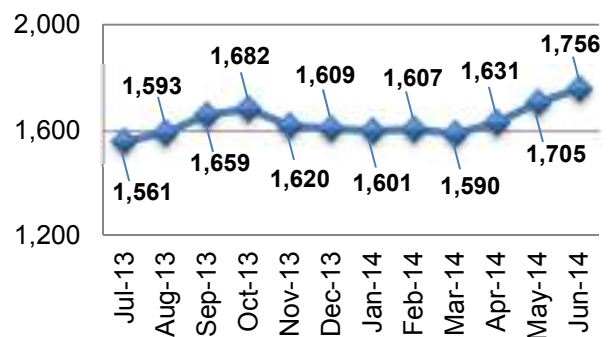
Iowa Medicaid utilizes nine performance-based contracts with vendors who provide key business services. These contracts are integrated under state oversight and management in a single location and comply with over 200 performance measures to achieve maximum value for Iowa taxpayers. The IME vendors carry out the following primary functions:

- **CORE Services** include mailroom operations, claims processing and operation of systems, including the Medicaid Management Information System (MMIS).
- **Medical Services** provides a variety of utilization management and quality management activities to ensure medical necessity requirements are met and provide guidance on covered services, standards of care, and best practices. Additional functions include activities associated with the Medicaid population health and health homes.
- **Member Services** provides customer service, assists members in choosing a primary care provider, and provides active disease management and maternity management through health coaches and health coordinators. Member Services operates the **Lock-In** program which prevents harmful or wasteful practices such as the misuse or overuse of emergency room services and drug abuse.
- **Pharmacy Medical Services** maintains the Preferred Drug List (PDL), processes prior authorization (PA) requests for non-preferred drugs, and responds to inquiries to the Pharmacy PA Hotline.

### SFY16 Projected Share of State Expenditures by IME Units



### Lock-In Monthly Enrollment SFY14

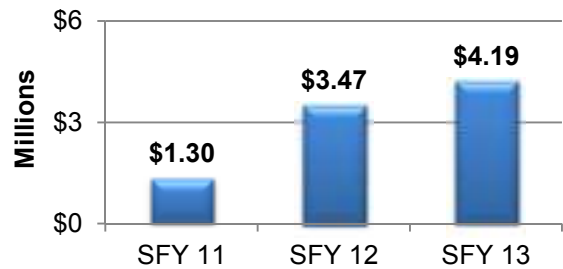


### Lock-In and Medical Health Education Savings



- **Pharmacy Point of Sale (POS)** collects drug rebates from manufacturers, answers questions and resolves claim issues for pharmacies, and provides POS claim function availability 24 hours-7 days per week.
- **Provider Cost Audit (PCA)** provides technical assistance to providers, performs rate setting, cost settlement, cost audit functions and ensures that payments made to Medicaid providers are in accordance with state and federal requirements.
- **Program Integrity (PI)** efforts include identifying potential fraud, waste and abuse through oversight and cost avoidance strategies.
- **Provider Services** is dedicated to supporting providers across the state that provides services to Medicaid members. Functions include operation of a call center, managing the provider network, provider enrollment, program integrity, and education and outreach activities.
- **Revenue Collections** functions include; Third Party Liability (TPL) for cost avoidance to ensure that Iowa Medicaid is the payer of last resort, recovery of funds where Medicaid has paid prior to a responsible third party, and estate recovery to obtain repayment of Medicaid expenditures from estates of members who have received long-term care services.
- Medical Contracts includes a number of other contracts with additional vendors and other state agencies, such as the Department of Public Health and the University of Iowa. Those contracts all contribute to the administration of the Medicaid program.

### Disease Management Savings



### Preferred Drug List Savings



### Program Integrity Savings

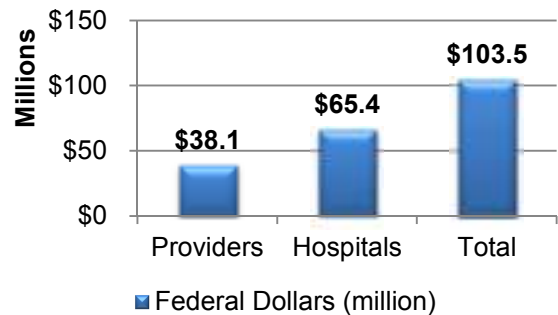


### Revenue Collections



- The IME administers the Electronic Health Record (EHR) Incentive Payment program, which distributes 100 percent federal payments to hospitals, physicians and other eligible Medicaid providers for implementing EHRs and incenting meaningful use of the systems. The IME also provides significant funding for Iowa's Health Information Network (HIN) implementation, which will allow real-time exchange of patient health information allowing for greater coordination of care for patients.

**Medicaid Electronic Health Record Payments  
(since January, 2011)**



- ✓ *Medicaid processed nearly 46 million claims in SFY14. The average time from receipt of the claim to payment was 6.5 days in SFY14.*
- ✓ *The Medical Services Unit typically reviews up to 1,928 claims per day. IME projects they will process 2,429 claims per day in SFY16 and 3,061 in SFY17.*
- ✓ *Program Integrity saved Medicaid \$49.4 million in SFY14 through the identification of overpayments, coding errors, and fraud, waste, and abuse. The Recovery Audit contract accounted for approximately \$13 million of the \$49.4 million recovered.*
- ✓ *Prior authorizations for HCBS saved over \$6.5 million in SFY14.*

## Goals & Strategies

### Effectively Manage Resources:

- Implementation of the Preferred Drug List (PDL) dramatically reduced the per user per year prescription drug cost from over a pre-rebate cost of \$804.79 to post-rebate cost of \$369.20 per user per year during SFY14. The PDL is projected to save over \$86.7 million in SFY15.
- Increase Medicaid provider performance by sharing quality data
- Expand Program Integrity efforts in DHS Programs
- Maximize federal financial participation to the greatest extent possible.

**SFY13 Medicaid Member Satisfaction with Call Center**



- ✓ *Medicaid collected over \$226 million in revenue in SFY14 through cost avoidance and recovery when other insurance is present. Medicaid projects cost avoidance and recovery savings of \$260 million in SFY16 and \$26 million in SFY17.*

<div>Cost of Services</div>	<ul style="list-style-type: none"><li>Medicaid has a very low administrative overhead of four percent. Medicaid administrative costs go towards managing the program, processing claims, managing member usage of services, provider and member assistance, rate setting, and recovering funds from other payors or providers.</li><li>Total state expenditures for IME operational contracts were \$13.7 million in SFY14. Total state expenditures are projected to be \$14.3 million in SFY15, \$14.7 million in SFY16, and \$15.2 million in SFY17.</li></ul>	<div><div>Medicaid Expenditures</div><div><div>■ Administration (4%)</div><div>■ Services (96%)</div></div><div><table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Administration</td><td>4%</td></tr><tr><td>Services</td><td>96%</td></tr></tbody></table></div></div>	Category	Percentage	Administration	4%	Services	96%																				
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<div>Funding Sources</div>	<ul style="list-style-type: none"><li>IME Medical Contracts are funded with state and matching federal funds.</li><li>The state share of funding varies for each contract ranging from 10 percent (e.g. system development), 25 percent (e.g. CORE, Medical Services, and Provider Services) to 50 percent for others (e.g. Revenue Collections, PCA).</li><li>The federal matching rate is determined by the makeup of vendor personnel and activities performed.</li></ul>	<div><div>Medical Contracts Funding Share SFY16</div><div><div>■ State (32%)</div><div>■ Federal (68%)</div></div><div><table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>State</td><td>32%</td></tr><tr><td>Federal</td><td>68%</td></tr></tbody></table></div><div><div>State Funding Share by Contract</div><div><table><thead><tr><th>Contract</th><th>State Funding Share (%)</th></tr></thead><tbody><tr><td>CORE</td><td>25%</td></tr><tr><td>Medical Services</td><td>25%</td></tr><tr><td>Provider Services</td><td>25%</td></tr><tr><td>Pharmacy Medical</td><td>26%</td></tr><tr><td>POS</td><td>26.5%</td></tr><tr><td>Member Services</td><td>29.4%</td></tr><tr><td>PI</td><td>44.6%</td></tr><tr><td>Revenue</td><td>46.6%</td></tr><tr><td>PCA</td><td>49.8%</td></tr></tbody></table></div></div></div>	Category	Percentage	State	32%	Federal	68%	Contract	State Funding Share (%)	CORE	25%	Medical Services	25%	Provider Services	25%	Pharmacy Medical	26%	POS	26.5%	Member Services	29.4%	PI	44.6%	Revenue	46.6%	PCA	49.8%
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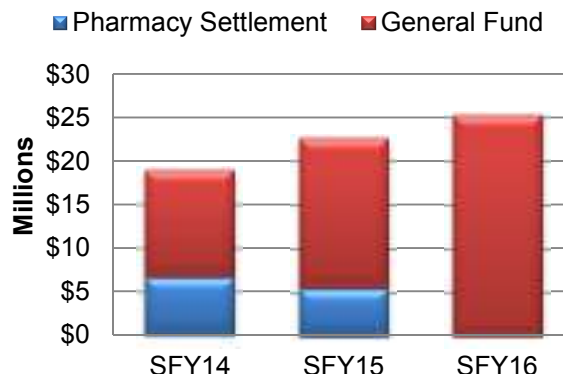
## SFY16 & SFY17 Budget Drivers

The total SFY16 Medical Contracts budget request reflects a \$7,255,008 (42 percent) general fund increase from the SFY15 Enacted Appropriation.

The total SFY17 Medical Contracts budget request reflects an \$8,112,630 (47 percent) general fund increase from the SFY15 Enacted Appropriation.

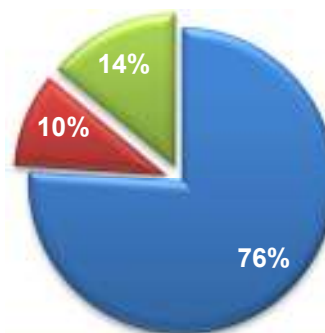
- IME operational contracts will increase by \$389,717 (2.2 percent) in SFY16 over SFY15. This increase is due to the fixed prices negotiated in the competitively procured contracts.
- The most significant contract increase in cost in SFY16 is in Medical Services, which will increase by 2.9 percent (\$86,323).
- Medical Services, Provider Services, Program Integrity, and Provider Cost Audit, all have negotiated cost increases of approximately 3-5 percent annually for SFY16.
- Pharmacy Medical Services' costs will remain the same in SFY15-16 (\$318,468) and Pharmacy Point of Sale state costs will increase to \$541,163 (2.2 percent).

### Medical Contracts by Funding Source



### Medical Contracts Increases

- Replace one-time funds (76%)  
 ■ ACA increases (10%)  
 ■ Contract increases (14%)



## Legal Basis

### Federal:

Title XIX of the Social Security Act. 42 CFR 434.1. Section 1902(a) (4) of the Act requires that the State plan provide for methods of administration that the Secretary finds necessary for the proper and efficient operation of the plan. 434.1(b) sets forth the requirements for contracts with certain organizations for furnishing Medicaid services or processing or paying Medicaid claims or enhancing the agency's capability for effective administration of the program.